

Message Text

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C O N F I D E N T I A L STUTTGART 1076

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SUBJ: REPORTED WEST GERMAN/USSR CONTRACT RE SEMICONDUCTOR

MANUFACTURING TECHNOLOGY EQUIPMENT: INTERMETALL

REF: A. STATE 182099, B. STATE 197874, C. STUTTGART 977

SUMMARY: THIS TELEGRAM CONFIRMS EXISTENCE OF CONTRACT BETWEEN ITT INTERMETALL AND SOVIET MINISTRY OF ECONOMIC INDUSTRY FOR THE EXPORT TO MOSCOW OF A MANUFACTURING TECHNOLOGY FOR VOLUME PRODUCTION OF BIPOLAR INTEGRATED CIRCUITS OSTENSIBLY FOR INCREASED TELEVISION PRODUCTION PRIOR TO THE 1980 MOSCOW OLYMPICS. AMERICAN ORIGIN EQUIPMENT IS INVOLVED. ITT NEW YORK AND WASHINGTON WILL BE APPLYING FOR EXPORT PERMISSION. END SUMMARY.

1. CONGEN OFFICERS VISITED HONOLD AT BADEN-WUERTTEMBERG HANDELSKAMMER AS REQUESTED REF B TO DISCUSS APPLICABILITY OF GERMAN REGULATIONS TO PROPOSED SALE. HONOLD INFORMS US THAT WHILE ALL EQUIPMENT OF GERMAN ORIGIN INVOLVED WILL ON AN ITEM-TO-ITEM BASIS REQUIRE EXPORT APPROVAL BY BUNDESAMT FUER GEWERBLICHE WIRTSCHAFT (BGW), UNDER GERMAN LAW THE EXPORT OF PURE TECHNOLOGY IS NOT SUBJECT TO EXPORT PERMIT CONTROL. IT
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IS VIRTUALLY IMPOSSIBLE TO EXPORT TECHNOLOGY WITHOUT EQUIP-

MENT, AND EACH PIECE OF MANUFACTURING EQUIPMENT WOULD REQUIRE AN EXPORT PERMIT. BY ISSUING A NEGATIV BESCHEINIGUNG, THE BGW HAS DETERMINED ONLY THAT THE PRODUCTS LISTED ON INTERMETALL'S EXPORT APPLICATION WERE NOT SUBJECT TO EMBARGO ACTION. IN ORDER TO INCLUDE ANY FURTHER EQUIPMENT IN THE USSR ORDER, INTERMETALL WOULD HAVE TO RETURN TO THE BGW WITH A NEW APPLICATION AND LIST. HONOLD ALSO POINTS OUT THAT THE BGW IS ONLY A REGULATORY, NOT AN ENFORCEMENT, AGENCY. ENFORCEMENT OF EMBARGO REGULATIONS IS ENTRUSTED TO SPECIAL SECTIONS IN REGIONAL OFFICES OF THE FINANCE MINISTRY (AUSSENWIRTSCHAFTSUEBERWACHUNG BEI DER OBERFINANZDIRECTION).

2. CONGEN OFFICER ALSO VISITED INTERMETALL AUGUST 18 FOR INFORMAL MEETING WITH DIRECTOR HEINZ ROESSLE AND INTERNATIONAL MARKETING MANAGER HORST JENISCH. ROESSLE CONFIRMED THAT A CONTRACT HAD INDEED BEEN SIGNED WITH SOVIETS ON JUNE 24 FOR EXPORT OF INTEGRATED CIRCUITS (IC'S) AND MANUFACTURING TECHNOLOGY/EQUIPMENT. ACCORDING TO ROESSLE, CONTRACT COVERS ONLY BIPOLAR IC'S OF A DESIGN FOUR YEARS OLD, AND INCLUDED NO, REPEAT, NO MOS CIRCUITS. EXTENSIVE EQUIPMENT IS INCLUDED FOR THE MANUFACTURE OF THESE BIPOLAR CIRCUITS, AS WELL AS PROVISION FOR INSTALLATION AND SERVICE OF THE EQUIPMENT IN ORDER TO GIVE THE USSR A CAPABILITY FOR VOLUME PRODUCTION. MANUFACTURING EQUIPMENT OF AMERICAN, GERMAN AND SWISS ORIGIN IS INCLUDED IN THE CONTRACT.

3. THE CIRCUITS AND MANUFACTURING EQUIPMENT WILL, ACCORDING TO THE SOVIETS PLACING THE ORDER, BE USED SOLELY FOR CONSUMER PRODUCTS. SPECIFICALLY, THE STATED SOVIET PURPOSE WAS TO DEVELOP AND MANUFACTURE LARGE NUMBERS OF SOLID STATE TELEVISION SETS IN TIME FOR THE 1980 OLYMPIC GAMES. THIS IS AT LEAST A PLAUSIBLE EXPLANATION AS INTERMETALL CONCENTRATES ITS BUSINESS IN AND IS A LEADING GERMAN SUPPLIER OF IC'S FOR TELEVISION AND OTHER CONSUMER PRODUCT USES.

4. THE CONTRACT WAS SIGNED IN MOSCOW JUNE 24 AND INCLUDES A CLAUSE, INSERTED AT INTERMETALL'S REQUEST, THAT IT WILL

NOT GO INTO EFFECT UNTIL RECEIPT OF EXPORT CLEARANCES FROM "RESPECTIVE AUTHORITIES", WHICH ROESSLE SAYS WAS UNDERSTOOD
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TO INCLUDE THE USG FOR ALL EQUIPMENT OF AMERICAN ORIGIN. IF THIS APPROVAL IS NOT OBTAINED WITHIN SIX MONTHS, THE CONTRACT WILL BECOME NULL AND VOID. THE PRESENTLY HELD NEGATIV BESCHEINIGUNG COVERS ONLY GERMAN ORIGIN EQUIPMENT. INTERMETALL HAS SUBMITTED A COMPLETE LIST OF US ORIGIN EQUIPMENT INVOLVED TO ITT NEW YORK AND ITT WASHINGTON WILL BE FORMALLY APPLYING FOR APPROVAL FOR EXPORT OF THE AMERICAN EQUIPMENT. IF NOT ALREADY DONE DEPARTMENT MAY WISH TO CONTACT KEN VIGUE

OF ITT WASHINGTON OFFICE FOR DETAILED REVIEW OF EQUIPMENT AND TECHNOLOGY INVOLVED. THE SIX MONTH DEADLINE RUNS OUT DECEMBER 24, ALTHOUGH ROESSLE HINTED AT THE POSSIBILITY OF AN EXTENSION IF NECESSARY.

5. INTERMETALL WAS INITIALLY CONTACTED BY THE SOVIETS REGARDING THE PROPOSED SALE. THE SOVIET MINISTER OF ELECTRONIC INDUSTRY (SHUKIN?) WAS VISITING GERMANY IN THE SPRING OF 1976 TO CONSULT WITH SIEMENS, AND SOUGHT OUT INTERMETALL WITH SPECIFIC INSTRUCTIONS FOR THE ORDER. THE COAGRACT WAS SIGNED WITH TEHNLPRMIMPORT MOSCOW, AND CALLS FOR INSTALLATION OF THE EQUIPMENT IN MOSCOW. DURING THE NEGOTIATIONS ROESSLE VISITED A SOVIET SEMICONDUCTOR PLANT IN LENINGRAD AND GAINED THE IMPRESSION THAT THE SOVIET UNION ALREADY HAS THE TECHNOLOGY INVOLVED BUT NOT THE CAPABILITY FOR VOLUME PRODUCTION, WHICH THEY HOPE TO ACQUIRE WITH THE INTERMETALL CONTRACT. THIS TIES IN WITH THEIR STATED PURPOSE OF INCREASED TELEVISION PRODUCTION FOR THE OLYMPICS.

6. THE FINAL SPECIFICATIONS AND EQUIPMENT LISTED IN THE CONTRACT ORDER WERE SET BY THE SOVIETS, AND WERE ACCEPTED BY ROESSLE WITH THE UNDERSTANDING THAT SOME OF THE EQUIPMENT MIGHT RUN INTO EMBARGO PROBLEMS, IN WHICH CASE INTERMETALL WOULD ATTEMPT TO SUBSTITUTE LESS ADVANCED APPARATUS; FOR EXAMPLE, A LASER SCRIBER IS INCLUDED WHICH COULD BE REPLACED BY A DIAMOND CUTTER IF ABSOLUTELY NECESSARY, ALTHOUGH TO DO SO WOULD LESSEN THE OVERALL ATTRACTIVENESS OF THE PACKAGE.

7. OUR IMPRESSION IS THAT INTERMETALL HAS NOT BEEN ATTEMPTING TO CIRCUMVENT EXPORT REGULATIONS, AS DEMONSTRATED BY THE FACT THAT THEY INSISTED ON THE INCLUSION OF A CLAUSE VOIDING THE CONTRACT IF EXPORT PERMISSION IS NOT RECEIVED. INTERMETALL'S APPROACH TO THE USG WOULD IN THE NORAML COURSE OF CONFIDENTIAL

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EVENTS APPARENTLY HAVE BEEN MADE THROUGH THE WASHINGTON ITT OFFICE IN LATE AUGUST AFTER THE FIRM REOPENED FROM ITS ANNUAL VACATION CLOSURE. ROESSLE WILL BE IN BOSTON WEEK OF AUGUST 22 FOR ITT CONFERENCE AND COULD BE CONTACTED THROUGH VIGUE IF DEPARTMENT DESIRES.

8. INCIDENT TO USSR SALE LOOSE PAPERS AT INTERMETALL REVEALED A RECENT SALE OF 36,000 IC'S, VALUE DM 87,000, HAD RECENTLY BEEN COMPLETED WITH ELECTROMODUL, BUDAPEST. JENKINS

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